

WESTWOOD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

# Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	20
Statement of Cash Flows	I	21
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	22
Statement of Changes in Fiduciary Net Assets	K	23
Notes to Basic Financial Statements		24-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		35
Notes to Required Supplementary Information - Budgetary Reporting		36
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	38
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	39
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4	40
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5	41
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		42-43
Schedule of Findings		44-46

Westwood Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> <b>(Before September 2006 election)</b>		
Steve Jewett	President	2008
Marty Choquette	Vice President	2006
Roxie Ullrich	Board Member	2008
Dennis Gallagher	Board Member	2006
John Kounas	Board Member	2007
<b>Board of Education</b> <b>(After September 2006 election)</b>		
Dennis Gallagher	President	2009
Marty Choquette	Vice President	2009
Steve Jewett	Board Member	2008
Roxie Ullrich	Board Member	2008
John Kounas	Board Member	2007
<b>School Officials</b>		
Kirk Ahrends	Superintendent	2007
Denise Patterson	District Secretary/Treasurer	2007
Jim Hanks	Attorney	2007

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Westwood Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Westwood Community School District, Sloan, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

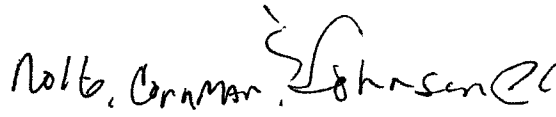
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Westwood Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2008, on our consideration of the Westwood Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Westwood Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2008

---

---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

---

Westwood Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,249,876 in fiscal 2006 to \$5,572,725 in fiscal 2007, while General Fund expenditures also increased from \$5,215,916 in fiscal 2006 to \$5,339,659 in fiscal 2007. This resulted in an increase in the District's fund balance from \$451,806 in fiscal 2006 to \$687,632 in fiscal 2007, which was a 52.2% increase from the prior year.
- At the year ended June 30, 2007 the District's solvency ratio is 11.8% as compared to 8.4% for the year ended June 30, 2006.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Westwood Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Westwood Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Westwood Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Westwood Community School District Annual Financial Report**

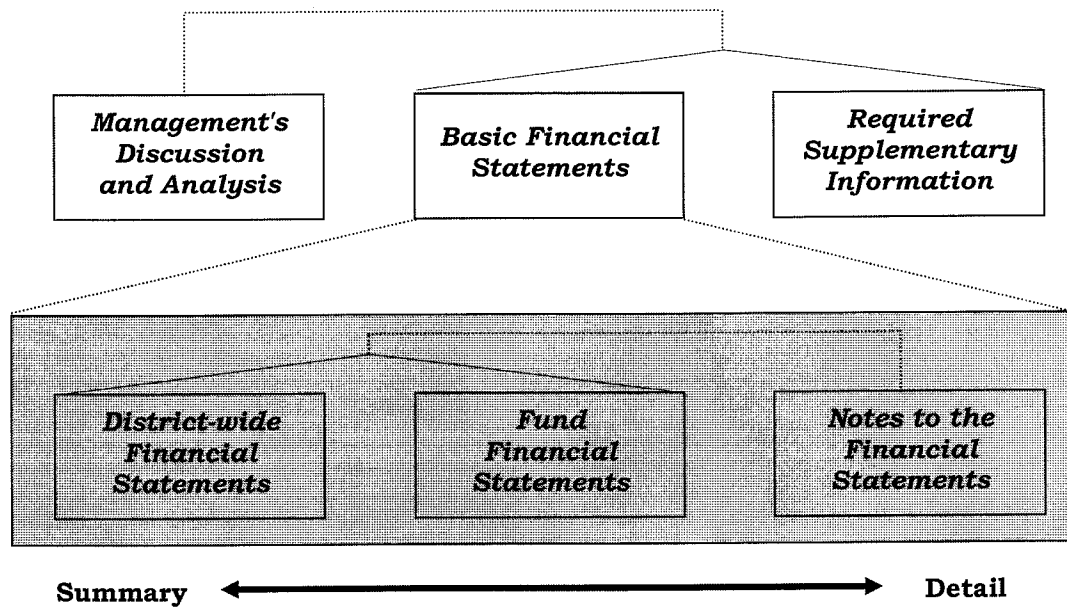


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



---

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District established other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures. Another example is the Iowa Academic Decathlon.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 5,910,768	6,037,766	15,106	18,925	5,925,874	6,056,691	-2.16%
Capital assets	8,275,883	8,511,936	10,998	12,951	8,286,881	8,524,887	-2.79%
Total assets	14,186,651	14,549,702	26,104	31,876	14,212,755	14,581,578	-2.53%
Long-term obligations	1,790,000	2,340,000	0	0	1,790,000	2,340,000	-23.50%
Other liabilities	3,239,815	3,620,892	0	2,047	3,239,815	3,622,939	-10.57%
Total liabilities	5,029,815	5,960,892	0	2,047	5,029,815	5,962,939	-15.65%
Net assets:							
Invested in capital assets, net of related debt	6,485,883	7,759,692	10,998	12,951	6,496,881	7,772,643	-16.41%
Restricted	1,869,901	236,331	0	0	1,869,901	236,331	691.22%
Unrestricted	801,052	592,787	15,106	16,878	816,158	609,665	33.87%
Total net assets	\$ 9,156,836	8,588,810	26,104	29,829	9,182,940	8,618,639	6.55%

The District's combined net assets increased by 6.55%, or \$564,301, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,633,570, or 691.22% over the prior year. This dramatic increase is due to a change in the way restricted assets are calculated as compared to the previous year. In previous years, the balance of the Capital Projects Fund as well as the balance of the Debt Service Fund was added back to the invested in capital assets net of related debt. Beginning this year, the fund balances for these two funds is considered a

restricted balance unless the District has construction in progress, then the balance of the bond proceeds construction account would be added back to the invested in capital assets net of related debt.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$206,493, or 33.87%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 660,410	646,668	144,706	133,313	805,116	779,981	3.22%
Operating grants and contributions and restricted interest	692,412	603,477	134,984	140,797	827,396	744,274	11.17%
General revenues:							
Local tax	3,053,436	3,171,674	0	0	3,053,436	3,171,674	-3.73%
Local option sales and service tax	480,900	413,628	0	0	480,900	413,628	16.26%
Unrestricted state grants	1,969,256	1,996,802	0	0	1,969,256	1,996,802	-1.38%
Unrestricted investment earnings	145,081	103,066	541	443	145,622	103,509	40.69%
Other	118,176	72,229	0	0	118,176	72,229	63.61%
Transfers	(28,742)	0	0	0	(28,742)	0	-100.00%
Total revenues	7,090,929	7,007,544	280,231	274,553	7,371,160	7,282,097	1.22%
Program expenses:							
Governmental activities:							
Instruction	3,863,290	3,864,063	0	0	3,863,290	3,864,063	-0.02%
Support services	1,890,843	1,781,659	0	0	1,890,843	1,781,659	6.13%
Non-instructional programs	824	757	283,956	285,038	284,780	285,795	-0.36%
Other expenses	767,946	722,733	0	0	767,946	722,733	6.26%
Total expenses	6,522,903	6,369,212	283,956	285,038	6,806,859	6,654,250	2.29%
Change in net assets	568,026	638,332	(3,725)	(10,485)	564,301	627,847	-10.12%
Beginning net assets	8,588,810	7,950,478	29,829	40,314	8,618,639	7,990,792	7.86%
Ending net assets	\$ 9,156,836	8,588,810	26,104	29,829	9,182,940	8,618,639	6.55%

Local tax and unrestricted state grants account for 77.61% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.81% of the revenue from business type activities.

The District's total revenues were approximately \$7.37 million of which \$7.09 million was for governmental activities and approximately \$0.28 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.22% increase in revenues and a 2.29% increase in expenses. The increase in revenues can be mainly attributed to the increase in local option sales tax money received by the District. The increases in expenses related to increases in the negotiated salary and benefits.

---

## Governmental Activities

Total revenues for all of the Districts' governmental activities were \$7,090,929 and expenses were \$6,522,903.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change	2007	2006	Change
			2006-07			2006-07
Instruction	\$ 3,863,290	3,864,063	-0.02%	2,714,523	2,808,155	-3.33%
Support services	1,890,843	1,781,659	6.13%	1,890,125	1,777,760	6.32%
Non-instructional	824	757	8.85%	824	757	8.85%
Other expenses	767,946	722,733	6.26%	564,609	532,395	6.05%
Totals	\$ 6,522,903	6,369,212	2.41%	5,170,081	5,119,067	1.00%

- The cost financed by users of the District's programs was \$660,410.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$692,412.
- The net cost of governmental activities was financed with \$3,053,436 in local tax, \$480,900 in local option sales and services tax, \$1,969,256 in unrestricted state grants, \$145,081 in interest income.

## Business-Type Activities

Revenues for business type activities were \$280,231 and expenses were \$283,956. The District's only business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Westwood Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

A strong financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$2,525,862, an increase of \$242,518 from last years ending fund balances of \$2,283,344.

## Governmental Fund Highlights

- The increase in General Fund revenues was attributable to increases in local, state and federal source revenues during fiscal 2007.
- The Management Levy Fund expenditures were \$189,941 and the revenues were \$285,243 which improved the fund balance from \$43,298 to \$138,600. This was due in part to the District levying more tax revenue for this fund.
- The Capital Projects Fund decreased from \$1,036,815 to \$974,279 due to normal transactions in this fund for the year.

- The Debt Service Fund increased from \$661,936 to \$672,796 due to revenues exceeding expenditures for fiscal 2007.

### Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$29,829 in fiscal 2006 to \$26,104 in fiscal 2007, representing a decrease of 12.49%. This decrease was attributable to increases in program expenditures during the year.

### BUDGETARY HIGHLIGHTS

The District's receipts were \$189,505 less than budgeted receipts, a variance of 2.50%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2007, the District had invested \$8,286,881, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for year was \$349,845.

The original cost of the District's capital assets was \$12.74 million. Governmental funds account for \$12.59 million, with the remainder of less than \$0.15 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 76,000	76,000	0	0	76,000	76,000	0.00%
Buildings	7,764,077	7,978,066	0	0	7,764,077	7,978,066	-2.68%
Land improvements	155,479	182,030	0	0	155,479	182,030	-14.59%
Machinery and equipment	280,327	275,840	10,998	12,951	291,325	288,791	0.88%
Total	\$ 8,275,883	8,511,936	10,998	12,951	8,286,881	8,524,887	-2.79%

#### Long-Term Debt

At June 30, 2007, the District had \$1,790,000 in revenue bond and capital loan notes outstanding. This represents a decrease of 23.5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
Revenue Bonds	635,000	925,000	-31.4%
Capital Loan Notes	1,155,000	1,415,000	-18.4%
Totals	<u>\$ 1,790,000</u>	<u>2,340,000</u>	<u>-23.5%</u>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The voters of Monona County passed a 10 year extension of the 1% local option sales and service tax on September 25, 2007. This extends the local option sales and service tax until November 30, 2019, which will allow the continued upgrading of District facilities.
- The Debt Service Levy was retired June 30, 2006 which provided \$1.55 per thousand of tax relief.
- The taxable valuation for the fiscal year 2007 budget increased by \$19 million dollars providing a secure tax base for the Westwood Community School District.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Denise Patterson, Business Manager, Westwood Community School District, 1000 Rebel Way, Sloan, Iowa, 51055.

## BASIC FINANCIAL STATEMENTS

WESTWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,611,549	870	2,612,419
Receivables			
Property tax:			
Delinquent	26,202	0	26,202
Succeeding year	3,032,527	0	3,032,527
Income surtax	158,294	0	158,294
Accounts	5,283	2,213	7,496
Due from other governments	76,913	0	76,913
Inventories	0	12,023	12,023
Capital assets, net of accumulated depreciation (Note 4)	8,275,883	10,998	8,286,881
<b>TOTAL ASSETS</b>	<b>14,186,651</b>	<b>26,104</b>	<b>14,212,755</b>
<b>LIABILITIES</b>			
Accounts payable	77,148	0	77,148
Salaries and benefits payable	16,937	0	16,937
Early retirement payable	100,000	0	100,000
Accrued interest payable	13,203	0	13,203
Deferred revenue:			
Succeeding year property tax	3,032,527	0	3,032,527
Long-term liabilities (Note 5):			
Portion due within one year:			
Revenue bonds	305,000	0	305,000
Capital loan notes	270,000	0	270,000
Portion due after one year:			
Revenue bonds	330,000	0	330,000
Capital loan notes	885,000	0	885,000
<b>TOTAL LIABILITIES</b>	<b>5,029,815</b>	<b>0</b>	<b>5,029,815</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,485,883	10,998	6,496,881
Restricted for:			
Beginning teacher mentoring	664	0	664
Additional teacher contract day	9,565	0	9,565
Professional development	6,406	0	6,406
Market factor	3,400	0	3,400
Phase I	7,899	0	7,899
Phase II	3,737	0	3,737
Management levy	138,600	0	138,600
Physical plant and equipment levy	14,842	0	14,842
Capital projects	974,279	0	974,279
Debt service	672,796	0	672,796
Other special revenue purposes	37,713	0	37,713
Unrestricted	801,052	15,106	816,158
<b>TOTAL NET ASSETS</b>	<b>\$ 9,156,836</b>	<b>26,104</b>	<b>9,182,940</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



WESTWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,453,487	286,295	440,650	(1,726,542)	0	(1,726,542)
Special instruction	696,062	92,761	33,623	(569,678)	0	(569,678)
Other instruction	713,741	281,354	14,084	(418,303)	0	(418,303)
	<u>3,863,290</u>	<u>660,410</u>	<u>488,357</u>	<u>(2,714,523)</u>	<u>0</u>	<u>(2,714,523)</u>
Support services:						
Student services	153,284	0	0	(153,284)	0	(153,284)
Instructional staff services	172,518	0	0	(172,518)	0	(172,518)
Administration services	666,620	0	0	(666,620)	0	(666,620)
Operation and maintenance of plant services	395,775	0	0	(395,775)	0	(395,775)
Transportation services	502,646	0	718	(501,928)	0	(501,928)
	<u>1,890,843</u>	<u>0</u>	<u>718</u>	<u>(1,890,125)</u>	<u>0</u>	<u>(1,890,125)</u>
Non-instructional programs:						
Food service operations	824	0	0	(824)		(824)
Other expenditures:						
Facilities acquisitions	220,879	0	0	(220,879)	0	(220,879)
Long-term debt interest	93,325	0	0	(93,325)	0	(93,325)
AEA flowthrough	203,337	0	203,337	0	0	0
Depreciation (unallocated)*	250,405	0	0	(250,405)	0	(250,405)
	<u>767,946</u>	<u>0</u>	<u>203,337</u>	<u>(564,609)</u>	<u>0</u>	<u>(564,609)</u>
Total governmental activities	6,522,903	660,410	692,412	(5,170,081)	0	(5,170,081)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	283,956	144,706	134,984	0	(4,266)	(4,266)
Total business-type activities	<u>283,956</u>	<u>144,706</u>	<u>134,984</u>	<u>0</u>	<u>(4,266)</u>	<u>(4,266)</u>
Total	<u>\$ 6,806,859</u>	<u>805,116</u>	<u>827,396</u>	<u>(5,170,081)</u>	<u>(4,266)</u>	<u>(5,174,347)</u>
General Revenues & Transfers:						
General Revenues:						
Local tax for:						
General purposes				\$ 2,662,949	0	2,662,949
Capital outlay				390,487	0	390,487
Local option sales and services				480,900	0	480,900
Unrestricted state grants				1,969,256	0	1,969,256
Unrestricted investment earnings				145,081	541	145,622
Other general revenues				118,176	0	118,176
Transfers				(28,742)	0	(28,742)
Total general revenues & transfers				<u>5,738,107</u>	<u>541</u>	<u>5,738,648</u>
Change in net assets				568,026	(3,725)	564,301
Net assets beginning of year				8,588,810	29,829	8,618,639
Net assets end of year				<u>\$ 9,156,836</u>	<u>26,104</u>	<u>9,182,940</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Manage- ment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
<b>ASSETS</b>						
Cash and pooled investments	\$ 648,122	240,305	989,172	672,796	61,154	2,611,549
Receivables:						
Property tax:						
Delinquent	20,169	2,473	0	0	3,560	26,202
Succeeding year	2,407,758	230,000	0	0	394,769	3,032,527
Income surtax	158,294	0	0	0	0	158,294
Accounts	5,283	0	0	0	0	5,283
Due from other governments	76,913	0	0	0	0	76,913
<b>TOTAL ASSETS</b>	<b>\$ 3,316,539</b>	<b>472,778</b>	<b>989,172</b>	<b>672,796</b>	<b>459,483</b>	<b>5,910,768</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 45,918	4,178	14,893	0	12,159	77,148
Salaries and benefits payable	16,937	0	0	0	0	16,937
Early retirement payable	0	100,000	0	0	0	100,000
Deferred revenue:						
Succeeding year property tax	2,407,758	230,000	0	0	394,769	3,032,527
Income surtax	158,294	0	0	0	0	158,294
<b>Total liabilities</b>	<b>2,628,907</b>	<b>334,178</b>	<b>14,893</b>	<b>0</b>	<b>406,928</b>	<b>3,384,906</b>
Fund balances:						
Reserved for:						
Debt service	0	0	0	672,796	0	672,796
Beginning teacher mentoring	664	0	0	0	0	664
Additional teacher contract day	9,565	0	0	0	0	9,565
Professional development	6,406	0	0	0	0	6,406
Market factor	3,400	0	0	0	0	3,400
Phase I	7,899	0	0	0	0	7,899
Phase II	3,737	0	0	0	0	3,737
Unreserved:						
Undesignated	655,961	138,600	974,279	0	52,555	1,821,395
<b>Total fund balances</b>	<b>687,632</b>	<b>138,600</b>	<b>974,279</b>	<b>672,796</b>	<b>52,555</b>	<b>2,525,862</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,316,539</b>	<b>472,778</b>	<b>989,172</b>	<b>672,796</b>	<b>459,483</b>	<b>5,910,768</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$ 2,525,862
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	8,275,883
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(13,203)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	158,294
Long-term liabilities, including bonds payable and capital loan notes are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,790,000)</u>
Net assets of governmental activites (page 13)	<u>\$ 9,156,836</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Manage- ment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 2,384,036	271,260	480,900	0	390,487	3,526,683
Tuition	364,395	0	0	0	0	364,395
Other	198,256	13,843	51,835	28,549	302,078	594,561
State sources	2,465,302	140	0	0	201	2,465,643
Federal sources	160,736	0	0	0	0	160,736
Total revenues	5,572,725	285,243	532,735	28,549	692,766	7,112,018
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular instruction	2,393,116	59,363	0	0	0	2,452,479
Special instruction	696,062	0	0	0	0	696,062
Other instruction	409,687	0	0	0	303,522	713,209
	3,498,865	59,363	0	0	303,522	3,861,750
Support services:						
Student services	152,440	844	0	0	0	153,284
Instructional staff services	115,819	519	56,180	0	0	172,518
Administration services	600,410	82,372	18	0	110	682,910
Operation and maintenance of plant services	370,818	26,717	0	0	0	397,535
Transportation services	397,970	19,302	0	0	76,111	493,383
	1,637,457	129,754	56,198	0	76,221	1,899,630
Non-instructional programs:						
Food service operations	0	824	0	0	0	824
Other expenditures:						
Facilities acquisitions	0	0	229,594	0	1,150	230,744
Long-term debt:						
Principal	0	0	0	550,000	0	550,000
Interest and fiscal charges	0	0	0	97,233	0	97,233
AEA flowthrough	203,337	0	0	0	0	203,337
	203,337	0	229,594	647,233	1,150	1,081,314
Total expenditures	5,339,659	189,941	285,792	647,233	380,893	6,843,518
Excess(deficiency) of revenues over(under) expenditures	233,066	95,302	246,943	(618,684)	311,873	268,500
Other financing sources(uses):						
Sale of equipment	2,760	0	0	0	0	2,760
Transfers in	0	0	11,334	640,878	0	652,212
Transfers out	0	0	(320,813)	(11,334)	(348,807)	(680,954)
Total other financing sources(uses)	2,760	0	(309,479)	629,544	(348,807)	(25,982)
Net change in fund balances	235,826	95,302	(62,536)	10,860	(36,934)	242,518
Fund balance beginning of year	451,806	43,298	1,036,815	661,936	89,489	2,283,344
Fund balance end of year	\$ 687,632	138,600	974,279	672,796	52,555	2,525,862

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ 242,518

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on asset disposal in the year are as follows:

Capital outlays	\$ 126,276	
Depreciation expense	(347,892)	
Loss on asset disposal	<u>(14,437)</u>	(236,053)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows:

Repaid	550,000
--------	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

3,908

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

7,653

Changes in net assets of governmental activities (page 14)

\$ 568,026

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 870
Accounts receivable	2,213
Inventories	12,023
Capital assets, net of accumulated depreciation (Note 4)	10,998
TOTAL ASSETS	<u>26,104</u>
LIABILITIES	<u>0</u>
NET ASSETS	
Invested in capital assets	10,998
Unrestricted	15,106
TOTAL NET ASSETS	<u>\$ 26,104</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	<u>\$ 144,706</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	98,227
Benefits	36,058
Services	4,675
Supplies	143,043
Depreciation	1,953
TOTAL OPERATING EXPENSES	<u>283,956</u>
OPERATING LOSS	<u>(139,250)</u>
NON-OPERATING REVENUES:	
State sources	4,107
Federal sources	130,877
Interest on investments	541
TOTAL NON-OPERATING REVENUES	<u>135,525</u>
Change in net assets	(3,725)
Net assets beginning of year	<u>29,829</u>
Net assets end of year	<u><u>\$ 26,104</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

Exhibit I

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 135,739
Cash received from miscellaneous operating activities	6,117
Cash payments to employees for services	(134,285)
Cash payments to suppliers for goods or services	(122,580)
Net cash used in operating activities	<u>(115,009)</u>
Cash flows from non-capital financing activities:	
State grants received	4,107
Federal grants received	104,424
Net cash provided by non-capital financing activities	<u>108,531</u>
Cash flows from investing activities:	
Interest on investments	<u>541</u>
Net decrease in cash and cash equivalents	(5,937)
Cash and cash equivalents at beginning of year	<u>6,807</u>
Cash and cash equivalents at end of year	<u>\$ 870</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (139,250)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	26,453
Depreciation	1,953
Decrease in inventories	95
Increase in accounts receivable	(2,213)
Decrease in accounts payable	(1,410)
Decrease in unearned revenue	(637)
Net cash used in operating activities	<u>\$ (115,009)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 870</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received  
Federal commodities valued at \$26,453.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



WESTWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	Private Purpose Trust Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 29,112	3,398
LIABILITIES		
Due to other groups	0	3,398
NET ASSETS		
Reserved for scholarships	\$ 29,112	0

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 1,070
Deductions:	
Non-instructional programs:	
Scholarships awarded	700
Change in net assets before other financing sources	370
Other financing sources:	
Transfer in	28,742
Change in net assets	29,112
Net assets beginning of year	0
Net assets end of year	\$ 29,112

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007

**(1) Summary of Significant Accounting Policies**

The Westwood Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Sloan, Smithland, Hornick, Holly Springs, and Salix, Iowa, and the predominate agricultural territory in Woodbury and Monona Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Westwood Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Westwood Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Woodbury and Monona Counties Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed

from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Management Levy Fund is utilized to account for property insurance expense and early retirement benefits.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus's on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Funds are used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be

collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.



The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 701,469

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the district at year end. The Certificates of Deposit are classified as Category 1, which means the investments are insured and held by the District in the District's name. Certificates of deposit are stated at fair value.

At June 30, 2007, the District had investments in Certificates of Deposit maturing in over one year as follows:

	Fair Value
Certificates of Deposit	\$ 14,401

### (3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	Debt Service	\$ 11,334
Debt Service	Special Revenue, Physical Plant and Equipment Levy	320,065
Debt Service	Capital Projects	320,813
Private Purpose Trust	Expendable Trust	28,742
Total		\$ 680,954

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

#### (4) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 150,380	0	0	150,380
Less accumulated depreciation	137,429	1,953	0	139,382
Business-type activities capital assets, net	<u>\$ 12,951</u>	<u>(1,953)</u>	<u>0</u>	<u>10,998</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 76,000	0	0	76,000
Total capital assets not being depreciated	<u>76,000</u>	<u>0</u>	<u>0</u>	<u>76,000</u>
Capital assets being depreciated:				
Buildings	10,699,408	0	0	10,699,408
Land improvements	718,463	9,865	0	728,328
Machinery and equipment	1,019,896	116,411	51,627	1,084,680
Total capital assets being depreciated	<u>12,437,767</u>	<u>126,276</u>	<u>51,627</u>	<u>12,512,416</u>
Less accumulated depreciation for:				
Buildings	2,721,342	213,989	0	2,935,331
Land improvements	536,433	36,416	0	572,849
Machinery and equipment	744,056	97,487	37,190	804,353
Total accumulated depreciation	<u>4,001,831</u>	<u>347,892</u>	<u>37,190</u>	<u>4,312,533</u>
Total capital assets being depreciated, net	<u>8,435,936</u>	<u>(221,616)</u>	<u>14,437</u>	<u>8,199,883</u>
Governmental activities capital assets, net	<u>\$ 8,511,936</u>	<u>(221,616)</u>	<u>14,437</u>	<u>8,275,883</u>
Governmental activities:				
Instruction:				
Regular				\$ 1,008
Other				532
Support services:				
Administration				1,810
Operation and maintenance of plant				5,440
Transportation				88,697
				<u>97,487</u>
Unallocated depreciation				<u>250,405</u>
Total governmental activities depreciation expense				<u>\$ 347,892</u>
Business-type activities:				
Food services				<u>\$ 1,953</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 925,000	0	290,000	635,000	305,000
Capital Loan Notes	1,415,000	0	260,000	1,155,000	270,000
Total	\$ 2,340,000	0	550,000	1,790,000	575,000

Revenue Bonds

Details of the District's June 30, 2007 revenue bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Issue dated November 1, 2002			
		Principal	Interest	Total	
2008	4.13	% \$ 305,000	22,535	327,535	
2009	4.25	320,000	8,000	328,000	
2010	4.45	10,000	240	10,240	
Total		\$ 635,000	30,775	665,775	

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$196,000 or 10% of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

### Capital Loan Notes

The District issued \$2,590,000 in capital loan notes on May 1, 2002 for capital improvements. The notes will be repaid by the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2007 capital loan notes indebtedness is as follows:

Year Ending June 30,	Issue dated May 1, 2002				
	Interest Rates	Principal	Interest	Total	
2008	4.13	% \$ 270,000	49,666	319,666	
2009	4.25	280,000	38,528	318,528	
2010	4.35	295,000	26,628	321,628	
2011	4.45	310,000	13,796	323,796	
Total		\$ 1,155,000	128,618	1,283,618	

#### **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$195,324, \$188,473 and \$183,780, respectively, equal to the required contributions for each year.

#### **(7) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs. District contributions to ISEBA for the year ended June 30, 2007 were \$357,374.

Westwood Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$203,337 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WESTWOOD COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,485,639	145,247	4,630,886	4,771,671	4,771,671	(140,785)
State sources	2,465,643	4,107	2,469,750	2,487,083	2,487,083	(17,333)
Federal sources	160,736	130,877	291,613	323,000	323,000	(31,387)
Total revenues	7,112,018	280,231	7,392,249	7,581,754	7,581,754	(189,505)
Expenditures:						
Instruction	3,861,750	0	3,861,750	4,642,117	4,642,117	780,367
Support services	1,899,630	0	1,899,630	1,957,968	1,957,968	58,338
Non-instructional programs	824	283,956	284,780	414,369	414,369	129,589
Other expenditures	1,081,314	0	1,081,314	2,556,260	2,556,260	1,474,946
Total expenditures	6,843,518	283,956	7,127,474	9,570,714	9,570,714	2,443,240
Excess(deficiency) of revenues over(under) expenditures	268,500	(3,725)	264,775	(1,988,960)	(1,988,960)	2,253,735
Other financing sources(uses), net	(25,982)	0	(25,982)	5,000	5,000	(30,982)
Excess(deficiency) of revenues and other financing sources(uses) over(under) expenditures	242,518	(3,725)	238,793	(1,983,960)	(1,983,960)	2,222,753
Balance beginning of year	2,283,344	29,829	2,313,173	2,564,476	2,564,476	(251,303)
Balance end of year	\$ 2,525,862	26,104	2,551,966	580,516	580,516	1,971,450

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.



OTHER SUPPLEMENTARY INFORMATION

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2007

	Student Activity	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 49,872	11,282	61,154
Receivables:			
Property tax:			
Current year delinquent	0	3,560	3,560
Succeeding year	0	394,769	394,769
<b>TOTAL ASSETS</b>	<b>\$ 49,872</b>	<b>409,611</b>	<b>459,483</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 12,159	0	12,159
Deferred revenue:			
Succeeding year property tax	0	394,769	394,769
Total liabilities	12,159	394,769	406,928
Unreserved fund balances	37,713	14,842	52,555
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 49,872</b>	<b>409,611</b>	<b>459,483</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2007

	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total
REVENUES:				
Local sources:				
Local tax	\$ 0	390,487	0	390,487
Other	298,529	3,549	0	302,078
State sources	0	201	0	201
TOTAL REVENUES	298,529	394,237	0	692,766
EXPENDITURES:				
Current:				
Instruction:				
Other instruction	303,522	0	0	303,522
Support services:				
Administration services	110	0	0	110
Student transportation	0	76,111	0	76,111
Other expenditures:				
Facilities acquisitions	0	1,150	0	1,150
TOTAL EXPENDITURES	303,632	77,261	0	380,893
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(5,103)	316,976	0	311,873
OTHER FINANCING USES:				
Transfers out	0	(320,065)	(28,742)	(348,807)
NET CHANGE IN FUND BALANCES	(5,103)	(3,089)	(28,742)	(36,934)
FUND BALANCE BEGINNING OF YEAR	42,816	17,931	28,742	89,489
FUND BALANCE END OF YEAR	\$ 37,713	14,842	0	52,555

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Miscellaneous Student Activity	\$ 1,506	3,071	4,577	0
Concession Stand	(1,772)	24,754	22,982	0
Elementary Band	8	1,171	1,179	0
Elem. Student Affairs	181	5,333	4,200	1,314
Elem. Student Council	1,477	250	352	1,375
Westwood PTO	178	0	178	0
JH Jammers	44	100	144	0
JH Student Council	540	0	120	420
Plays	801	1,298	867	1,232
Musical	14	0	0	14
Madrigal	1,450	7,683	8,346	787
Music Boosters	921	9,609	6,973	3,557
Vocal Music	(75)	21,018	20,943	0
Rebelaires	2,607	15,112	17,719	0
Show Choir Invitational	910	35,283	34,628	1,565
Instrumental Music	2,900	4,648	4,918	2,630
Jazz Band	130	0	130	0
Cross Country	5	655	602	58
Boy's Basketball	0	8,302	7,648	654
Football	3,094	7,204	9,363	935
Baseball	(152)	17,849	17,697	0
Boy's Track	(668)	1,858	1,190	0
Boy's Golf	540	630	734	436
Wrestling	0	4,003	2,780	1,223
Girl's Basketball	1,787	5,212	6,999	0
Volleyball	1,819	2,658	3,975	502
Girl's Soccer	0	0	100	(100)
Softball	(738)	1,748	1,010	0
Girl's Track	(456)	1,798	1,185	157
Girl's Golf	54	0	0	54
Industrial Tech. Club	140	740	880	0
Student Affairs	3,955	6,167	8,131	1,991
Annual	1,139	8,797	9,936	0
Science-Math Club	54	0	54	0
National Honor Society	533	2,884	3,228	189
Quiz Bowl	513	0	0	513
Future Problem Solving	1,009	2,304	2,400	913
Weight Room	91	104	179	16
FFA	151	17,981	17,275	857
FFA Trust	2,693	86	0	2,779
FHA	117	52	169	0
Business Education Club	863	0	863	0
Athletic Boosters	6,940	34,090	30,016	11,014
Season Passes	780	6,519	7,199	100
Class of 2006	414	0	414	0
Class of 2007	1,129	914	2,043	0
Class of 2008	0	5,400	5,179	221
HS Student Council	98	4,684	5,407	(625)
Cheerleaders	0	2,107	2,107	0
Basketball Cheerleaders	0	2,784	2,004	780
Wrestling Cheerleading	221	1,916	1,803	334
Drill Team	70	12,815	14,415	(1,530)
After Prom Party	4,801	6,938	8,391	3,348
Total	\$ 42,816	298,529	303,632	37,713

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 108	72,000	68,710	3,398
LIABILITIES				
Due to other groups	\$ 108	72,000	68,710	3,398

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$	3,526,683	3,578,906	3,852,725	3,694,553
Tuition		364,395	340,776	247,314	303,419
Other		594,561	493,369	387,476	454,843
State sources		2,465,643	2,437,384	2,220,110	2,235,401
Federal sources		160,736	146,837	148,300	173,376
Total	\$	7,112,018	6,997,272	6,855,925	6,861,592
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	2,452,479	2,400,031	2,254,595	2,299,687
Special instruction		696,062	767,795	717,390	795,993
Other instruction		713,209	694,697	681,518	539,839
Support services:					
Student services		153,284	145,840	144,734	137,146
Instructional staff services		172,518	193,769	123,536	97,427
Administration services		682,910	598,678	580,160	570,496
Operation and maintenance of plant services		397,535	354,575	368,832	355,605
Transportation services		493,383	489,195	436,236	454,468
Non-instructional programs		824	757	737	704
Other expenditures:					
Facilities acquisitions		230,744	208,371	96,863	145,996
Long-term debt:					
Principal		550,000	845,000	1,015,000	965,000
Interest and other charges		97,233	132,265	178,252	218,792
AEA flow-through		203,337	190,338	189,051	193,525
Total	\$	6,843,518	7,021,311	6,786,904	6,774,678

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Westwood Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Westwood Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 28, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Westwood Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Westwood Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Westwood Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Westwood Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Westwood Community School District's financial statements that is more than inconsequential will not be prevented or detected by Westwood Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Westwood Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Westwood Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Westwood Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Westwood Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Westwood Community School District and other parties to whom Westwood Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Westwood Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman, Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2008



WESTWOOD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

- I-B-07 Purchase Orders - We noted during our audit that purchase orders in the Activity Fund were not always completely filled out. We noted instances of purchase orders not being prenumbered, not showing what was to be purchased at what price and some invoices not having a purchase order.

Recommendation - The District should review procedures in place with regard to use of purchase orders, placing the order and subsequent payment. The District should require purchase orders be completed prior to ordering. With the proper use of purchase orders, the District can ensure that purchases are properly approved and authorized before purchasing.

Response - We will generate purchase orders from our accounting software that are prenumbered and filled out completely.

Conclusion - Response accepted.

- I-C-07 Student Activity Fund - During our audit we noted that Target and Box Top donations were being receipted into the Activity Fund.

Recommendation - Donations made to a District should be placed in the most appropriate place based upon the donor request. Target and Box Tops donates to schools for instructional materials and supplies. The most logical place to record the revenue and subsequent purchase would be the General Fund. The District should record future donations from Target and Box Tops in the General Fund.

Response - Donations from Target and Box Tops will be receipted into the General Fund.

Conclusion - Response accepted.

WESTWOOD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007 did not exceed the certified budget amounts.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-07 Deficit Balances - Three individual accounts within the Student Activity Fund had deficit balances totaling \$2,255 at June 30, 2007.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - Account balances will be reviewed on a regular basis to eliminate deficits in the Student Activity Fund.

Conclusion - Response accepted.

II-K-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - We have requested and are now receiving the images of the fronts and backs of all cancelled checks from the bank.

Conclusion - Response accepted.